

LEADERFUL

THE POWER OF DECENTRALIZED ORGANIZATIONS

Book The Starfish and the Spider; The Unstoppable Power of Leaderless Organizations, Portfolio, by Penguin, London, 2006.

Authors Ori Brafman and Rod A. Beckstrom

Speed RAP Superficially, a spider and a starfish look similar - lots of arms and legs. Internally, their physiology is completely dissimilar. When we study how they're dissimilar we see two discrete patterns. Biologically, the spider is centralized whereas the starfish is decentralized; they represent extremes on a continuum. Brafman and Beckstrom have used this metaphor to create a new business structure and management model - a Hybrid of centralized and decentralized. The Internet, and digital technology, are the catalyst of this Fusion model and it's the future of organizational management. What will enable the Fusion model to grow your organization is respect and regard for the leader within each individual who collectively make up the organization.

Your Challenge Fire Up! Fire needs a Catalyst; Fusion needs a Catalyst. Bring online the Catalyst qualities you were born with. Get in touch with that part of you and bring it to the fore as you create Peer Leadership for yourself, your team and your organization. Pay attention to how centralized and controlling you are (and also the people around you). Loosen the reins - become a catalyst.

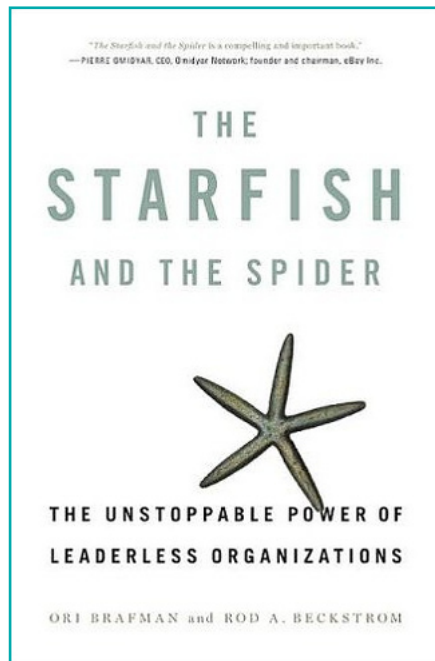
RESOURCES : anything you use to generate wealth.

ACTIONS : an act of will, a deed completed.

PROFITS : to gain an advantage or benefit.

Review: The Starfish and the Spider

Ori Brafman & Rod A. Beckstrom; *The Starfish and the Spider; The Unstoppable Power of Leaderless Organizations*, Portfolio (Penguin), London, 2006.



During the Cold War, the Americans and the Russians were engaged in an escalating battle of espionage and defence. It was thought impossible that a plane could get anywhere near Russia, let alone the beating heart of Moscow, without the Russians knowing about it well in advance.

Well, it happened. By effectively flying below the radar, a German flying student flew his small plane from Germany and successfully landed smack-bang in Red Square. You can just hear the jubilant young pilot shout "Surprise! I've arrived," to the amazement of the Russian shoppers and Red Guards.

The central idea in *The Starfish and the Spider* will have a similar impact on business over the next decade.

Even though there are well-known examples of successful decentralized organisations around us right now, coverage of this concept in the popular press is all but invisible.

While the business press celebrates our prized leaders as the source of strength, certainty and foresight, our business schools champion 'leadership' as the great salvation for our confused and ever changing world.

Yet, the ticking clock in the background suggests the pendulum that swings between centralization and decentralization is making a decisive strike in the opposite direction.

Has no one noticed that the central (sic!) feature that is transforming business today is a decentralized structure called the Internet?

In parallel with our opening story, it too is a result of Cold War defence. Developed by the US Military to create a 'leaderless' organization in case the Soviets attacked, the Internet has created its own war on business traditions.

As Seth Godin suggests in his latest serving, Meatball Sundae (see [RAP4](#), Marketing How-Now), the Internet has ended advertising, changed marketing forever and upturned business. Have you been paying attention; have you noticed?

Decentralized organizations pose a similar threat. The game has changed, as any music industry executive will tell you.

Napster started in a college dorm room and has dismantled the music empires of the big five recording companies one swapped song at a time. The starfish had attacked the spider and won. (See our story on Page 7)

Historically, the Industrial Revolution gave birth to business based upon top-down control in the form of a hierarchy - think military command. In contrast, the Internet shapes the Information or Knowledge Era in which we live and this favours a decentralized approach based upon loose networks, open systems and interacting relationships.

Is it any wonder the Big Military of the US didn't see the tiny cells of Al Qaeda coming? Talk about slip through the cracks...

The pendulum is swinging. Whilst it won't swing completely to purely decentralized structures, competitive advantage in the digital economy is heading that way. We are likely to have many more fusions like Ebay, Skype and Wikipedia.

Other landscapes will not escape the starfish imprint.

On the political platform, Barack Obama may become the first black president of the US. However, this will be a mere sideshow to the real change - the first president elected using a fusion of decentralized campaigning.

Review cont: The Starfish and the Spider

Whilst Hillary's campaign was up to \$36 million in debt based upon a classic top-down approach of seeking big donations from major players, Obama broke funding records. More than 250,000 people contributed to his campaign with more than 90% offering \$100 or less. This is more contributors than any previous candidate and simultaneously he gained more than a million friends on social networking sites.

Whilst elections are not won by dollars in the bank they are won by grass roots action one vote at a time.

Most interestingly, if decentralization gets Obama to the White House, could this be the beginning of the redesign of democracy?

With the aid of the Internet, participatory democracy is highly achievable against the centuries old tradition of elected representatives going off to our Capital Cities to vote on our behalf.

In Australia, as the most governed country in the world, perhaps it is time to dismantle the Federalism of states and become the 'Starfish Republic'.

Decentralizing the monolith of government would surely be a transformation of our society.

Closer to the lounge room is the demise of television, that bastion of centralized conformity and family life that is being transformed by the freewheeling anarchy of the Internet. Being told what to watch and when to watch it is not a popular sport for Gen Xers and Ys.

TV is also changing at other levels: the canned laughter of the sitcom is giving way to Reality TV where the 'actors' are free to be themselves rather than following some preordained script.

The Big Brother parallel to business is evident in the increasing demand for innovation. If you want to be creative you need to abandon corporate speak and start to think and act for yourself.

In a command and controlled environment innovation is a contradiction. To remain competitive in the cut-throat global arena of big business, decentralized units are 'the Idea Advantage' because they are naturally suited to the free-flowing nature of an open system.

Ironically, the presentation of decentralization as the way to leader-less organizations is a misnomer - we're heading to Leaderful Organizations.

Instead of a starfish organization being mired by the imagery of a chook with its head cut off running around aimlessly, our organizations will become more leaderful!

If Peter Drucker were alive today he would proclaim the 'Leaderful Organization' as the replacement of business bossiness.

Rather than having one dominant leader or chain of leaders, our organizations will require that we all step up to the plate and demonstrate personal leadership in being accountable and responsible for our contribution each and every day.

A catalyst and an even stronger ideology that is truly worth believing in will replace the reliance on the CEO to lead the way. Building corporate cultures is like innovation; in a closed system of centralized control it is a contrivance and a contradiction.

Instead, decentralize, loosen the reins and let your employees step up to the plate in smaller circles where there is no place to hide.

In our previous RAP The Four Hour JOLT! we pointed to the demise of the 40-hour work week. Decentralized organizations make the Four Hour Work Week feasible for all of us.

This is a major change in our society. It not only changes business, government and community organizations, it also dramatically alters our roles within them and within our local neighbourhoods.

Ignore this at your peril!

PS : Co-author of *The Starfish and the Spider*, Rod A Beckstrom has just been appointed head of Cyber-Security - a new organization established by the US Government's Department of Homeland Security. The Bush administration has realized that a centralized approach is not working to stem the impact of starfish based hackers and terrorist cells following the failure of the centralized FBI, CIA and NSA in failing to predict 9-11.

RAP1: The Spider and the Starfish

At first glance a spider and a starfish seem to be similar with their multiple limbs spanning from their core. On further examination, they are very different in the way they think and act in the world. The same can be said for Centralized and Decentralized organizations. They may appear on the surface to be similar yet are operating and thinking in completely different ways.



Centralized

Spiders : Spiders are like humans, they have a head that's in charge, a body with the essential organs within and a couple of extra legs. Chopping off the spider's head is like killing a king or dictator, you destroy the ability of the organism to function and it dies.

Action: Is your organization a Spider or a Starfish?

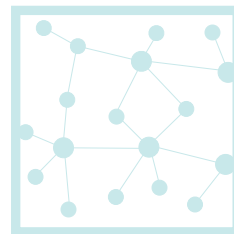
There are headquarters	<input type="checkbox"/>	<input type="checkbox"/>	There are no headquarters
There's someone in charge	<input type="checkbox"/>	<input type="checkbox"/>	There's no one in charge
If you thump it on the head, it dies	<input type="checkbox"/>	<input type="checkbox"/>	If you thump it on the head, it survives
Groups communicate through intermediaries	<input type="checkbox"/>	<input type="checkbox"/>	Groups communicate directly with each other
If you take out a unit, the organization is harmed	<input type="checkbox"/>	<input type="checkbox"/>	If you take out a unit, the organization is unharmed
Knowledge and power are concentrated	<input type="checkbox"/>	<input type="checkbox"/>	Knowledge and power are distributed
There's a clear division of roles	<input type="checkbox"/>	<input type="checkbox"/>	There's an amorphous division of roles
Units are funded by the organisation	<input type="checkbox"/>	<input type="checkbox"/>	Units are self-funding
You can count the participants	<input type="checkbox"/>	<input type="checkbox"/>	You cannot count the participants
The organization is rigid	<input type="checkbox"/>	<input type="checkbox"/>	The organization is flexible
CENTRALIZED	<input type="checkbox"/>	<input type="checkbox"/>	DECENTRALIZED



Decentralized

Starfish : Normally, if you attack the head of anything you can defeat it, except starfish don't have heads. It's central body doesn't even control things. It's essential organs are replicated through each of its arms. If you chop an arm off or cut it in half, the starfish doesn't die, it simply re-grows. Some species of starfish can even replicate if only one part of an arm survives an attack. What's even more interesting, for a starfish to move, one arm starts wiggling and the rest may or may not follow. There is no central command making the decisions.

Fusion



In the business world there are no pure centralized or decentralized forms, most are a combination or fusion of both. The key is to find your sweet spot. Two primary styles are available. Ebay is a centralized company that decentralizes the customer experience and GE is a centralized company that decentralizes internal parts of the business into separate independent business units. Fusion is the way forward and the best mix will be the model that enables optimum results for the organization and its people, who turn up every day to get those results, for the good of all.

Action: Spot the Starfish

Would you recognize a starfish if you met one in the street? Here's a quick challenge for you to spot the starfish. (Answers on next page)

Wikipedia or the Wall Street Journal?

Microsoft or Linux?

Our Brain or Our Body?



Telstra or Skype?

Al Qaeda or the US Military?



Barack Obama or Hillary Clinton?



Sitcoms or Reality TV?



Self-service or DIY?

The Spanish Conquistadors or The Apache Indian?



GE or GM?

Ebay or Google?

The Internet or Television?



Action: Spot the Starfish

Here's the answers to the quiz from the previous page...

Wikipedia or the Wall Street Journal?

Anyone can contribute something to Wikipedia on almost any topic. The Wall Street Journal relies on Editors to define what shall be written about and the tone in which it will be written.



Microsoft or Linux?

Microsoft is a classic centrally controlled software house. Linux is the opposite, open-source software that anyone can contribute to.



Our Brain or Our Body?

The brain controls the body in a centralized way but functions in a decentralized way. For instance our memories are not located in one place.



Telstra or Skype?

Telstra is a centrally controlled company whereas Skype is a starfish based upon peer-to-peer software.



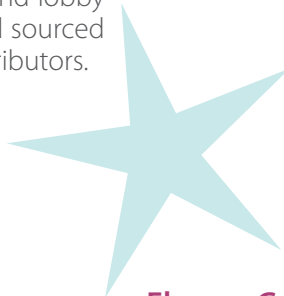
Al Qaeda or the US Military?

The spider structure of the US Military has struggled to combat Al Qaeda because it operates as decentralized cells. Where is Osama Bin Laden?



Barack Obama or Hillary Clinton?

Hillary's campaign focussed on big donations from a handful of key players and lobby groups. Barack went online and sourced small amounts from lot of contributors.



Sitcoms or Reality TV?

In a sitcom the actors are told what to say, when to say it, and how to say it. Classic central control! In Reality TV, the actors do and say what they want within the confines of the game - a decentralized approach.



The Spanish Conquistadors or The Apache Indian?

The Spanish were a centrally controlled army and had difficulty in defeating the loose network of Apaches.

Self-service or DIY?

Both are starfish operations that allow the user to select their own goods and do it in their own way.



GE or GM?

General Electric is comprised of a series of business units that compete against each other on the open market. In contrast, General Motors is one big spider corporation.



Ebay or Google?

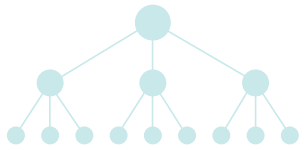
Ebay has decentralized the customer experience letting them buy and sell between themselves. Google is a centrally controlled search engine with all the work done at their headquarters.

The Internet or Television?

The Internet is the classic decentralized organization - no one owns it, no one runs it and you can post almost anything on it. Television shows are created by centralized organizations that control what you see and when you see it. Time for a change?

RAP2: The Pendulum Swings

In the Industrial Age, the top-down controlled hierarchies of centralized organizations were dominant. In our Information or Knowledge Age, inspired by the decentralized structure of the Internet, a swing toward loosely connected networks or cells is becoming more common. The immediate future suggests a flood of hybrid organizations that will change our view of organizational structure and leadership.



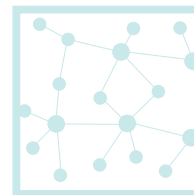
Centralized

SPIDERS
DICTATORSHIP
MILITARY
GOVERNMENT
TELEVISION
TYPICAL CORPORATION
GENERAL MOTORS
MICROSOFT



Decentralized

STARFISH
OUR BRAIN
THE INTERNET
ALCOHOLICS ANONYMOUS
APACHE INDIANS
TERRORIST CELLS
OPEN SOURCE SOFTWARE
PEER TO PEER SOFTWARE



Fusion

BIG BROTHER
WIKIPEDIA
CRAIGSLIST
TOYOTA
SKYPE
EBAY
GE

RAP3: The Music Industry Pendulum

The story of the music business shows how industries swing from decentralized to centralized and back again. It's a useful reminder for your industry and the context of 'The Starfish Era' in which we are living.

Prior to recorded music, travelling performers operated independently as they sang their way across the country.

Then Edison's invention of the gramophone changed all that - he allowed you to take music home with you and as a result numerous independent record companies emerged to tap into the demand for sound and new found profit.

The pendulum soon swung away from the independent musicians to be taken over by the recording companies who were able to create a star simply by publishing their records and scoring radio airplay.

By the end of the 20th Century, 80% of the global record industry was dominated by just five companies. To get anywhere in the music business you needed a recording contract and for this you needed to join one of these major players. Centralized power was held in the hands of the few.

Then, as quickly as the gramophone and radio had created the music industry, the internet provided the means to dismantle it. The internet was decentralized power in the hands of the many, and it naturally decentralized the music industry one swapped song at a time.

The shift started in Shawn Fanning's college dorm room. He created a simple piece of software that allowed users to swap files. It seemed innocent enough and yet

this birth of Peer to Peer software started a revolution. Fanning's software became the infamous 'Napster' and its effect on the music industry was devastating.

another giant corporation had muscled into their turf. No, it was a bunch of kids swapping their music over the internet.

The music industry did the only thing they knew to do, they went to court to put Napster out of business. In the past this would have worked, but they were up against a phenomenon that was operating out of a different paradigm. Eventually, they had Napster closed down but all that did was force new, even more decentralized organizations to pop up. Napster was a relatively easy target because they could shut their servers down. But along came Kazaa, then Kazaa Lite, then eMule which was open source peer to peer software - no one owned it, no one person created it and it didn't live in a specific location.

The music industry has now adopted a new path. They know they cannot beat the music pirates. Even more so, they know that the Achilles heel of a centralized organization is a decentralized one and that is precisely the point of this book.



Over a five year period from 2001 to 2005, revenue from the major music industry players had fallen by 25%. CD sales were spiralling downwards. Sales weren't being transferred to any new players, Napster wasn't making the money. Sales were simply disappearing.

As with any change toward a decentralized structure, profits will decrease - perhaps that's why we hear so little about decentralized organizations in our business schools?

At first, the music industry didn't know what to do. Their sales were dropping but they couldn't figure out why. They couldn't spot their new enemy. It wasn't like

ACTION: WHERE IS YOUR INDUSTRY AT?

Is your industry heading toward centralization or decentralization? What are the threats and opportunities on the horizon to swing the pendulum the other way?

RAP4: Five Legs

A decentralized organization stands on five legs. Just like the starfish, you can lose one or two of them and still function. For best results, five legs working together are better than less.

Network

It may not be easy to start a physical starfish organization from scratch. It's much easier to piggyback on to an existing network or build an online viral organization via the internet. Critical mass is important - the power of the network increases with each additional member. Also, designing a meme or a way to pass on the ideals and values is critical to entice new participants. In the short term, it is easy to rule top down giving orders and expecting members to follow. Some will, some won't. Ultimately, this limits creativity and involvement which will strangle the growth of the organization in the long term. A decentralized starfish organization is more open to innovation because it is not structured or attached to a fixed approach. The adoption of new ideas versus force and power allows the network to grow more rapidly.

Champion

A starfish organization needs 2 types of people, the catalyst to get things started and the champion to implement. The Champion is relentless in pursuit of an idea - they take it to another level. They're like a bull terrier with a bone - they just won't let go. A Champion will tell everyone about your idea, they're a natural sales person.

Ideology

Why would you contribute to Wikipedia or Open Source software? You don't get paid - at least in dollars. Your reward is being part of a movement or forwarding an ideal. Ideology is the glue that holds it all together. What is your mission? The ideology of Alcoholics Anonymous is represented by the 12 step process. Virtual or online starfish organizations may have less dependence on an ideology because the commitment to join is less involved and this does not lessen its importance. In a typical corporate environment where dollars rule, the commitment to shared values and common belief is less important. Many corporates cling to misfired mission statements in the hope of lighting the fire of idealism in their employees. Gen Yer's in particular are not interested in this. Give them something to truly believe in!

Circles

Small cells or independent and autonomous circles of members are the core of a decentralized system. They need to be exclusive not open. Once accepted you're an equal member and expected to pull your weight and contribute to the best of your abilities. In a physical setting, 14 is a useful rule of thumb for a cell size to maintain an effective bond. In virtual or online cells, the number can increase although the bond will naturally be less. When a circle becomes too big it enables free-rides or destructive behaviour. Given there are no rules or power to enforce, personal responsibility and face-to-face accountability are crucial. Trust is created by applying norms based upon standards, models or process. Ebay feedback points are the marker of trust in their starfish organization.

Catalyst

A Catalyst initiates the project by creating and sharing the ideology, they lead by example and then fade into the background. They let go of control and allow the organization to become it's own entity. A catalyst is like an architect who designs the organization but never moves into the finished building. They give the users the power to decide and they transfer ownership and responsibility to the circle.

RAP5: Creating Fusion

To fuse the best of spiders and starfish two primary strategies are available. Firstly, decentralize the customer experience by letting them have a role in business. Secondly, decentralize internal parts of the business into separate independent business units. Here's some suggestions as how you can decentralize your organization.

① Decentralize the Customer Experience

THE PLAYGROUND

Creating a Fusion Organization is like building a playground.

First, you need to add a slide, then a swing, a climbing frame and make sure you build a fence around the playground.

Second, we want the kids to play fair so we need to make some rules. How about... only one person on the swing at a time, no kicking, no foul language...

Third, we want to let the kids play. That's it, just let 'em go and enjoy themselves.



THREE STEPS TO CREATING A FUSION

① **Create the Structure** : Define the system or process of the organization. Ebay built a website; Big Brother built a house and Skype built peer-to-peer software.

② **Design the Cultural Rules** : Share your ideology and design some rules to represent it. Ebay has feedback points to build trust; Alcoholics Anonymous has the 12 step process and the Internet has software standards.

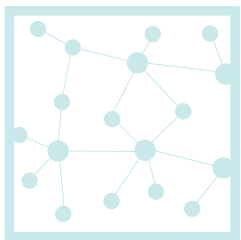
③ **Let People Play** : That's it just let 'em loose... Ebay provides DIY tools for buying and selling; Skype lets you make calls to who ever you want and Amazon lets customers make recommendations.

② Spin-off Business Units

- Run the business unit 'as if' they are stand alone businesses with their own profit/loss statement.
- Start by spinning off a project team.
- Give them a separate budget, separate facilities and their own team.
- Encourage them to be innovative and create their own objectives.
- Let them establish their own cultural rules.
- Let business units compete against each other paying full retail prices for services.



Actions: How to let your customers contribute...



Instruct : Let customers provide instruction to others through a forum or a wiki eg Quicken, Adobe

DIY : Give your customers tools to help themselves or help you, For instance, let customers police your website eg Ebay, Wikipedia

Create : Let customers make their own products or serve themselves eg IBM's support of Linux, Sun Microsystems making its software open-source

Shape : Let customers shape your products eg Google's Page Rank/News - user habits define the rankings; Brewtopia lets users design their own beer

Voice : Give your customers a voice eg Oprah's Book Club and Amazon's Recommendations

RAP6: The CEO and the Catalyst

Where a centralized spider demands leaders who take charge, the starfish requires a completely different kind of leader. Instead of a CEO, they need a Catalyst. Their qualities will be very different. Here's a list for you to consider.

Genuine Interest in Others : A CEO doesn't really have to be genuinely interested in others, they can just bark orders. However, a peer or an equal cannot take that tack and expect to succeed.

Loose Connections : A CEO may have a team to call on to get things done whereas a catalyst will have an extensive network of diverse contacts.

Mapping : It's not just who you know, it's who they know and how they fit in the bigger picture. Catalysts look for potential advocates and map out possible relationships where everyone wins.

Desire to Help : Catalysts really do want to help you. It's not always about what you can get from your contacts.

Meet People Where They Are : A traditional leader with command and control is more likely to demand action. When you're running a team of volunteers or simply working with a decentralized group, this has less likelihood of success. The ability and willingness to empathize and meet others where they are at is more important.

Emotional Intelligence : Whilst essential for any successful person, the willingness to cede control and loosen the reins of command in a starfish organization requires a higher degree

of emotional intelligence. One cannot rely on position or power for your identity.

Trust : If you can't control the outcome and you can't enforce errant behaviour, you need to focus on what you can influence: build relationships based upon trust.

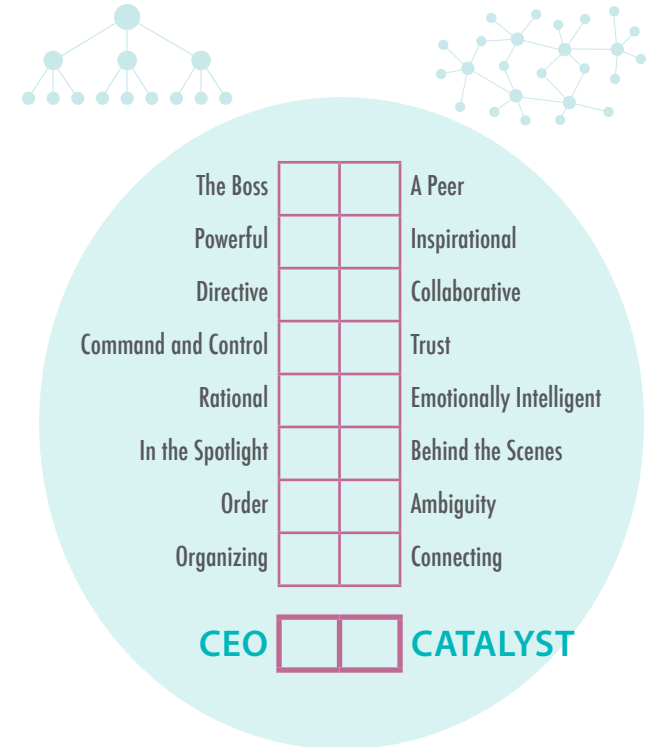
Inspiration : To inspire action from people without personal gain, you need to instil inspiration. This is not about the people involved, it's about the bigger purpose.

Tolerance for Ambiguity : A CEO may demand clarity but don't expect it in a starfish organization. To be a great catalyst you need to be able to ride ambiguity as an opportunity for creativity and innovation.

Hands-Off Approach : The CEO is often the centre of attention whereas the catalyst gets out of the way and let others step into the breach to drive the organization forward.

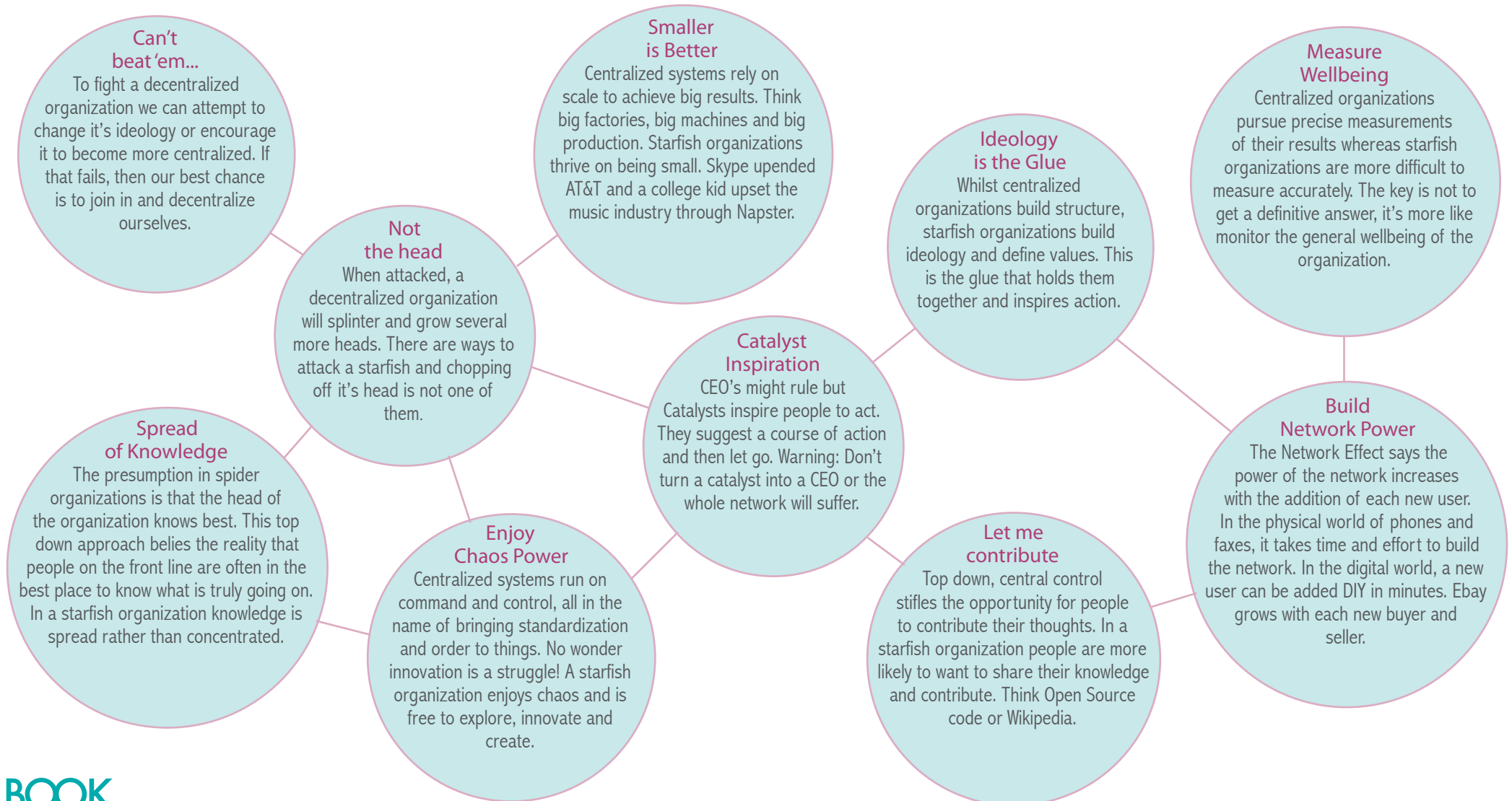
Receding : Whilst a CEO may bask in the glory of victory, a catalyst is likely to have already left. A catalyst who stick around too long risks becoming a CEO and stifling growth by centralizing operations.

Action: What sort of leader are you?



RAP7: Leaderful Rules!

In the history of warfare, when the technology changes, so do the tactics required to win. The Polish Cavalry charging German tanks was not a winning move. When organizations change from being top-down and centralized to networked, open systems of the starfish organization, the rules we play by need to change too.



More info...

ABOUT THE AUTHOR

Hi folks! Thanks for reading **Book Rapper**. I think we've all got our own special genius. Mine is to take a whole bunch of information and distil it into some simple yet co-ordinated pattern. I used to be an architect. And, for me, tracking trends and working out how they fit together is just like designing a building.

Cheers, Geoff (McDonald)

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Delivery : This can be delivered in a variety of ways depending upon what you need. This might be one-on-one coaching or mentoring, or group events such as keynote presentations, facilitating strategic planning meetings or creating projects to achieve specific outcomes.

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